



**United States Department of Agriculture
Rural Development
Montana State Office**

October 6, 2005

MT AN 248 (1980-D)

SUBJECT: Guaranteed Rural Housing (GRH) Unclosed Obligations

TO: All Rural Development Area Offices

PURPOSE/INTENDED OUTCOME:

The purpose of this Administrative Notice (AN) is to provide guidance to Rural Development offices on the review and reporting process of guaranteed unclosed obligations and to ensure all GRH obligations are closed within 90 days of the date of obligation.

COMPARISON WITH PREVIOUS AN:

This AN replaces MT AN 225 which expired September 30, 2005.

IMPLEMENTATION RESPONSIBILITIES:

The GRH Unclosed/Undisbursed Obligations report (GLS2312) is generated via e-mail to the State Office on a monthly basis. The report provides a breakdown of unclosed obligations by State and servicing office and lists the obligation date and the number of days the loan has been obligated and unclosed.

The report is designed to assist you in identifying loans that have been obligated and remain unclosed for an extended period. The report will be faxed to each Area Office by the 15th of each month.

Employees are responsible for reviewing the report and making necessary lender contacts to determine if the loans have been closed. Follow up is required on any loan that has remained unclosed for over 90 days.

EXPIRATION DATE: October 31, 2006

FILING INSTRUCTIONS:
Preceding RD Instruction 1980-D

Many of these loans have never been closed by the lender. Employees need to contact the lender to verify if the loan has closed. If the loan did not close, we need to obtain written documentation from the lender that the loan did not close, and the Rural Development obligation is no longer needed. Once this is obtained, the obligation needs to be canceled in GLS.

In some cases the loans may have been closed but necessary closing documentation has not been submitted to Rural Development. In these cases, we must be aggressive and timely with our follow-ups with the lender to obtain the information we need to close the loan in our system. Additionally, we can not honor a loan, other than new construction, that has been obligated but not closed over 180 days. Closing packages received over 60 days from date of closing require a copy of the borrower payment history. If the loan is delinquent, we will not guarantee the loan.

In your correspondence to the lender, reference the lender's responsibility as stated on the Conditional Commitment, Form 1980-18. The front of the Conditional Commitment requires Lender certification that no adverse change(s) have occurred in the Borrower's financial condition, nor any other adverse change in the Borrower's condition during the period of time from the Agency's issuance of the Conditional Commitment to issuance of the Loan Note Guarantee. The Lender's certification must address all adverse changes and be supported by financial statements of the Borrower and its grantors not more than 60 days old at the time of certification. Item 10 of the lender certification on the Conditional Commitment also addresses this issue.

Offices should contact the State Office if they are having difficulty receiving timely and complete closing packages. The State Office will need information including borrower name, case number, date obligated and specific problems as well as the lender contact information so that we can assist in correcting the problem.

If the loans are not closed in the system, the account can not be updated in GLS when the servicers send in their monthly default or quarterly status reports.

REPORTING RESPONSIBILITIES:

Offices with loans appearing on the report will need to make a copy of the Unclosed/Undisbursed Obligation report and indicate action taken for each borrower on the report by entering either the date the loan obligation was canceled or the date the loan closing was processed in GLS. As a reminder, offices need to verify the closing transaction processed by checking in GLS the following day. Fax the reports to Denise Green, in the State Office by the 28th of each month.

Questions regarding this Administrative Notice should be directed to Denise Green, State Office, Housing Programs, at (406) 585-2557.

W.T. (Tim) RYAN
State Director